

Freddie Mac LP Open Access
 (Relief Refinance Mortgages)
 (CF30OAFR & CF15OAFR)



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<p>ELIGIBLE TRANSACTIONS</p>	<p>Relief Refinance Mortgages – Open Access must:</p> <ul style="list-style-type: none"> • Have application received dates on or after December 1, 2011 and on or before December 31, 2018 • Have settlement dates no more than 12 months after the Note Date and on or before September 30, 2019 <p>Eligibility of the Mortgage being refinanced: The mortgage being refinanced must:</p> <ul style="list-style-type: none"> • Have a note date on or before May 31, 2009 • Be a first Lien, conventional mortgage currently owned by Freddie Mac, in whole or in part, or securitized by Freddie Mac • Be seasoned for at least three months (that is, the note date of the mortgage being refinanced must be at least three months prior to the Note Date of the Relief Refinance Mortgage – Open Access) <p>If the mortgage being refinanced was considered for and/or received a Freddie Mac modification (Home Affordable Modification Program (HAMP®) or non-HAMP), the mortgage is eligible to be refinanced as a Relief Refinance Mortgage – Open Access, provided the requirements of this topic are met. The current contractually –obligated payment terms under the Note, including the most recent modification of the Note, if any, must be used for the purpose of determining whether the Relief Refinance Mortgage – Open Access meets the borrower benefit requirements below</p> <p>If the mortgage being refinanced has mortgage insurance or pool insurance it is eligible for refinancing under the provisions of these guidelines. See below for additional requirements regarding delivery of Relief Refinance Mortgage – Open Access with mortgage insurance.</p> <p>If the Mortgage being refinanced has recourse, indemnification or another negotiated credit enhancement, it is ineligible for refinancing as a Relief Refinance Mortgage – Open Access.</p>
<p>INELIGIBLE TRANSACTIONS</p>	<ul style="list-style-type: none"> • ARMS having loan-to-value (LTV) ratios exceeding 105% • Cash-out refinance mortgages • Special purpose cash-out refinance mortgages • Mortgages with a potential for negative amortization or an Option ARM • Mortgages originated under Chapter 4602 (Construction Conversion and Renovation Mortgages) and any other mortgage that converts interim construction financing to permanent financing • Mortgages subject to a temporary subsidy buydown • FHA Mortgages • VA Mortgages • Section 502 GRH Mortgages • Section 184 Native American Mortgages • Freddie Mac Relief Refinance Mortgages – Same Servicer • Home Possible ® mortgages, and any affordable mortgage • Affordable Merit Rate® mortgages • Mortgages submitted to any other automated underwriting system excluding Loan Product Advisor (LP) • Mortgages with original loan amounts greater than \$1,000,000 • Mortgages using an Automated Valuation Model (AVM) other than HVE® to determine property value • Seasoned mortgages • Mortgages that exceed the thresholds under the Home Ownership and Equity Protection Act of 1994 and its implementing regulations.

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ELIGIBLE BORROWERS	<p>The borrower(s) obligated on the Note on the Relief Refinance Mortgage – Open Access must be the same as the borrower(s) obligated on the note on the mortgage being refinanced except that:</p> <ul style="list-style-type: none"> • A borrower obligated on the note of the mortgage being refinanced may be omitted from the note of the Relief Refinance Mortgage – Open Access • A Borrower(s) may be added to the Note of the Relief Refinance Mortgage – Open Access, except that a non-occupying borrower may not be added to a mortgage secured by a primary residence. <p>In all cases, at least one borrower(s) from the mortgage being refinanced must be retained.</p>
BORROWER BENEFIT	<p>The Relief Refinance Mortgage – Open Access must be originated for one of the following purposes:</p> <ul style="list-style-type: none"> • A reduction in the interest rate of the first lien mortgage • To replace an ARM, Initial Interest Mortgage or any mortgage with an interest-only period, or a Balloon/Reset mortgage with a fixed-rate, fully amortizing mortgage • A reduction in the monthly principal and interest payment of the first lien mortgage • A reduction in the amortization term of the First Lien Mortgage <p>A fixed rate mortgage may be refinanced into an ARM only when it results in a reduction in the monthly principal and interest payment of the first lien mortgage. However, because an ARM is a riskier product than a fixed-rate mortgage, borrowers should be encouraged to refinance into fixed-rate mortgages whenever possible.</p> <p>There is no limitation on the amount of the increase in the borrower’s principal and interest payment.</p>
UNDERWRITING METHOD	<ul style="list-style-type: none"> • Except as modified by these guidelines, the Relief Refinance Mortgage-Open Access must meet all of the underwriting requirements in the Freddie Mac guidelines as of the Note Date of the new refinance Mortgage • All Relief Refinance Mortgage – Open Access must be submitted to Loan Product Advisor-- no exceptions. • Manual underwrites are not allowed • If the mortgage receives a Loan Product Advisor evaluation status of invalid, ineligible or incomplete, the underwriter must take all steps possible to correct the information and resubmit the mortgage to Loan Product Advisor • A Relief Refinance Mortgage – Open Access receiving an evaluation status of invalid, ineligible or incomplete is ineligible for sale to Freddie Mac. • Evidence from FHLMC Website that the loan being refinanced is currently owned by FHLMC must be provided in the file behind the payoff demand. <ul style="list-style-type: none"> ○ http://www.freddiemac.com <ul style="list-style-type: none"> ➤ Click on link above ➤ Click on “See if Freddie Mac Owns Your Loan” and follow the steps. <p>➤ Print a copy for the loan file.</p>

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<p>UNDERWRITING METHOD, CONTINUED</p>	<p>All Rate/Term Refinance Transactions</p> <ul style="list-style-type: none"> • Underwriter to condition “UTR” the Borrower(s)” Certificate of Reasonable Tangible Net Benefit for Refinance Loans” Disclosure prior to funding. • “Borrower(s) Certificate of Reasonable Tangible Net Benefit for Refinance Loans” Disclosure <ul style="list-style-type: none"> ○ Disclosure is generated with closing package and must be fully completed and executed by the borrower and returned with loan documents. • Borrower(s) Benefit Worksheet <ul style="list-style-type: none"> ○ Underwriter to review the complete/executed “Borrower(s) Certificate of Reasonable Tangible Net Benefit” Disclosure and complete the “Borrower(s) Benefit Worksheet” based on the information provided by the borrower. ○ To be completed by the Underwriter prior to funding. ○ Copy of both executed forms to be placed in loan file behind the 1008. <p>Forms are located in the PBM Manual under Policy and Procedures in the “Forms” Folder.</p> <p>➤ Open Access Loan Calculator Worksheet</p> <ul style="list-style-type: none"> • To be completed by Underwriter once Demand and Estimated Settlement Statement from escrow is received prior to CD. • Underwriter to condition for funder to review prior to closing to make sure the loan amount hasn’t changed. If the loan amount changes, funder must bring this to the Underwriter’s attention. <p>http://www.freddiemac.com/learn/pdfs/service/rrmaxloanamount_after.pdf</p> <p>NOTE: It is very important to ask the borrower when they make their payment each month to avoid ordering the payoff demand too early. Please take this step to avoid re-draws and principal reductions.</p> <p>Tip: Should you get a Caution on a 30yr fixed transaction, try reducing the term to 20 year or 15 years</p>
<p>CREDIT (DEROGATORY)</p>	<ul style="list-style-type: none"> • Except for Relief Refinance Mortgages – Open Access that are Higher-Priced Covered Transactions (HPCTs) or Higher-Priced Mortgage Loans (HPMLs) with application received dates on or after January 10, 2014, the borrower’s credit reputation is acceptable if: <ul style="list-style-type: none"> ○ The mortgage receives a Risk Class of <u>Accept</u> • For Relief Refinance Mortgages – Open Access that are HPCTs or HPMLs with Application Received Dates on or after January 10, 2014, the borrower’s credit reputation is acceptable if: <ul style="list-style-type: none"> ○ The mortgage receives a Risk Class of Accept and has a minimum Indicator Score of 620
<p>LTV/TLTV/HCLTV</p>	<p>The requirements below are effective for Mortgages with Application Received Dates on or after November 19, 2012:</p> <ul style="list-style-type: none"> • There is no maximum LTV ratio for fixed-rate Relief Refinance Mortgage – Open Access • The maximum LTV ratio for adjustable-rate Relief Refinance Mortgages – Open Access is 105% • There are no maximum TLTV and HCLTV ratios
<p>DEBT TO INCOME RATIO</p>	<ul style="list-style-type: none"> • For Accept Mortgages, Loan Product Advisor has determined that the borrower’s qualifying ratios are acceptable, provided the mortgage is not an HPCT or HPML with an application received date on or after January 10, 2014 • For Accept Mortgages that are HPCTs or HPMLs with application received dates on or after January 10, 2014, the underwriter must ensure that the debt payment-to-income ratio is not greater than 45%.

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<p>TRANSACTION TYPES</p>	<p>Rate and term (no cash out) refinance of existing FHLMC (Freddie Mac) first lien only.</p> <ul style="list-style-type: none"> • Cash back to the borrower is limited to \$250. • If principal reduction is necessary, amount CANNOT exceed the lesser of 2% or \$2000.00. • Final Settlement Statement needs to reflect the excess as a principal reduction.
<p>SUBORDINATE FINANCING</p>	<p>An existing junior lien</p> <ul style="list-style-type: none"> • Must be subordinate to the Relief Refinance Mortgage – Open Access and must meet requirements for secondary financing set forth in Chapter 4204. An increase in the current unpaid principal amount of any junior lien is prohibited to curtail the Relief Refinance Mortgage-Open Access or to pay related closing costs, financing costs, or prepaids/escrows, and no new secondary financing is permitted. . • Existing secondary financing may be an Affordable Second meeting the requirements of PBM’s purchase documents. The Affordable Second must be subordinate to the Relief Refinance Mortgage – Open Access. Refer to Section 4303.4 for special delivery requirements for Relief Refinance Mortgage – Open Access with an Affordable Second. • May be refinanced simultaneously with first lien mortgage being refinanced if the junior lien is being refinanced for one of the following purposes: <ul style="list-style-type: none"> ○ A reduction in the interest rate of the junior lien ○ To replace an ARM, an interest-only junior lien, or a junior lien with a balloon or call option with a fixed-rate, fully amortizing junior lien ○ A reduction in the amortization term of the junior lien ○ A reduction in the monthly payment of the junior lien • The UPB of the new junior lien may not be more than the UPB, at the time of payoff, of the junior lien being refinanced • If the junior lien being refinanced is a fixed-rate junior lien, the new junior lien may not be an ARM <p><u>Refinance of Mortgages secured by properties subject to an energy retrofit loan</u></p> <ul style="list-style-type: none"> • For the refinance of mortgages with Freddie Mac Settlement Dates before July 6, 2010 secured by properties subject to PACE obligations originated before July 6, 2010 that result in or provide for First Lien priority, if the new refinance mortgage does not meet the requirements of a “no cash-out” refinance mortgage or of a cash-out refinance mortgage, then the mortgage may be originated as a Freddie Mac Relief Refinance Mortgage – Open access with the PACE obligation remaining in place. • The PACE obligation is not required to be included in the calculation of the total loan-to-value ratio, however, the PACE obligation must be included in the monthly debt payment-to-income ratio • In addition, PBM must insert “H28” (Relief Refinance MTG w/Prop Assessed Clean Energy (PACE) obligations) in the ULDD Data Point <i>Investor Feature Identifier</i> for Freddie Mac Relief Refinance Mortgages – Open Access when the PACE obligation remains in place. <p><u>Unacceptable Subordinating Financing:</u></p> <ul style="list-style-type: none"> • Mortgages with negative amortization. • Subordinate financing that does not fully amortize under a level monthly payment plan where the maturity or balloon payment date is less than 5 years. • Subordinate financing that restricts prepayment (i.e., subordinate liens with prepayment penalties).
<p>OCCUPANCY</p>	<ul style="list-style-type: none"> • 1- To 4 unit primary residences • Second homes • 1-to 4-unit investment properties • The mortgage premises must be an attached or detached dwelling, a Manufactured Home, unit in a Condominium Project or Planned Unit Development (PUD). • Must meet all of the eligibility underwriting and documentation requirements and provisions of these guidelines as of the Note Date • For Mortgages secured by second homes and investment properties, the requirements related to the number of financed properties do not apply.

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ELIGIBLE TERMS	<ul style="list-style-type: none"> • A conventional 15-, 20- or 30-year fixed rate, fully amortizing mortgage • A conventional 5/1, 7/1 or 10/1 fully amortizing ARM <p>The Relief Refinance Mortgage – Open Access may be a super conforming Mortgage.</p>
PROPERTY TYPES	<ul style="list-style-type: none"> • Attached or detached dwelling • 2-4 units • Condominium • PUD
CONDOMINIUM REQUIREMENTS	<p>For mortgages secured by Condominium Units, the underwriter is not required to evaluate if the Condominium Project eligibility requirements set for in Chapter 5701 (General Condo Project Warranties), provided that:</p> <ul style="list-style-type: none"> • The underwriter represents and warrants that the project is not located in a Condominium Hotel, houseboat project, timeshare project, or a project with segmented ownership; and • The project has insurance that meets the applicable insurance requirements of Chapter 8202 (Property Insurance)
MORTGAGE INSURANCE	<ul style="list-style-type: none"> • For each Relief Refinance Mortgage – Open Access with an LTV ratio greater than 80%: <ul style="list-style-type: none"> ○ If the mortgage being refinanced has mortgage insurance coverage, then the same percentage of mortgage insurance coverage must be maintained for the new refinance mortgage on the entire UPB ○ If the mortgage being refinanced does not have mortgage insurance coverage, then no mortgage insurance coverage is required for the new refinance mortgage. • Original Loan > 80% LTV: Mortgage Insurance as required by LP at the same coverage % as the loan we are paying off may be transferred if allowed by the MI company. This program will allow transfers from any MI company. The following steps are required to assure MI is transferred correctly: <ul style="list-style-type: none"> ○ Underwriter to condition for satisfactory transferable Mortgage Insurance. ○ The Mortgage Insurance must be an acceptable transferred insurance to Provident Bank Mortgage. ○ Lender paid Mortgage Insurance with an annual payment plan is NOT acceptable. ○ If you are unable to determine if the transferred Mortgage Certificate is acceptable, send it to Corporate Underwriting for final approval. <ul style="list-style-type: none"> ▪ Genworth Financial ▪ PMI Mortgage Insurance
HARDEST HIT FUND (HHF)	<ul style="list-style-type: none"> • HHF program funds provided by a state Housing Finance Agency (“HFA”) (i.e., Keep Your Home California) may be used to pay down the outstanding balance on a mortgage being refinanced at the time of closing, and to pay closing costs, financing costs, and prepaids/escrows for the Relief Refinance Mortgage – Open Access, as long as the funds do not result in a lien on the property. • The mortgage file must contain documentation verifying the terms and conditions under which the HHF program funds are provided to the borrower. • When repayment of HHF program funds is required, the verified payment must be included in the monthly debt payment-to-income ratio, unless repayment of funds is due only upon sale or default • The HHF program funds must be reflected on the Settlement/Closing Disclosure Statement
INCENTIVES AND CONTRIBUTIONS	<ul style="list-style-type: none"> • The following requirements are effective for mortgages with application received dates on or after April 30, 2013: <ul style="list-style-type: none"> ○ PBM may provide the borrower with a cash or a cash-like (e.g., a gift card) incentive that is not part of the refinance transaction and is therefore not reflected on the Settlement/Closing Disclosure Statement provided that: <ul style="list-style-type: none"> ▪ The amount of the contribution does not exceed \$500.00; and ▪ No repayment is required

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INCENTIVES AND CONTRIBUTIONS	<ul style="list-style-type: none"> ○ The contribution is not considered cash out to the borrower and does not have to be included in the calculation of the proceeds of the Relief Refinance Mortgage – Open Access as described in Section 4303.3(b) ○ PBM may provide a contribution towards the payoff of the mortgage being refinanced, provided that: <ul style="list-style-type: none"> ▪ The amount of the contribution does not exceed \$2000.00 ▪ No repayment is required; and ▪ The contribution is reflected on the Settlement/Closing Disclosure Statement ○ The contribution is not considered cash out to the borrower provided it does not result in cash disbursed to the borrower exceeding \$250.00 														
IMPOUNDS	<ul style="list-style-type: none"> • If the original Freddie loan we are paying off had impounds then impounds are required for the current transaction. If the original loan did not have impounds then impounds will not be required. 														
INCOME DOCUMENTATION	<p>Stable monthly income and asset qualification sources - The underwriter is not required to establish a minimum history of receiving income or make a determination that the income can be expected to continue for at least the next three years in order to use the income for qualifying, provided the underwriter documents and calculates the income using, at a minimum, documentation required in the table below.</p> <table border="1" data-bbox="527 798 1412 1942"> <thead> <tr> <th data-bbox="527 798 779 829">Income Sources</th> <th data-bbox="779 798 1412 829">Minimum documentation requirements</th> </tr> </thead> <tbody> <tr> <td data-bbox="527 829 779 1050"> Employment income (primary or secondary) Bonus Overtime Tip income Automobile allowance </td> <td data-bbox="779 829 1412 1050"> <ul style="list-style-type: none"> • Year-to-date (YTD) paystub, or written verification of employment (VOE) documenting at least 30 days of income; and • 10-day pre-closing verification (10-day PCV) </td> </tr> <tr> <td data-bbox="527 1050 779 1218"> Commission Income </td> <td data-bbox="779 1050 1412 1218"> <ul style="list-style-type: none"> • YTD paystub or written VOE documenting at least 30 days of income; or • Complete individual federal tax returns covering the most recent one-year period; <p>AND</p> <ul style="list-style-type: none"> • 10-day PCV </td> </tr> <tr> <td data-bbox="527 1218 779 1270"> Mortgage differential </td> <td data-bbox="779 1218 1412 1270"> Provide a copy of the agreement from the employer stating the amount of the payments </td> </tr> <tr> <td data-bbox="527 1270 779 1438"> Military base income Military entitlements income Military reserve and National Guard income </td> <td data-bbox="779 1270 1412 1438"> <ul style="list-style-type: none"> • YTD Leave and Earnings Statement (LES) or written VOE documenting at least 30 days of income and • a 10-day PCV </td> </tr> <tr> <td data-bbox="527 1438 779 1522"> Seasonal Employment </td> <td data-bbox="779 1438 1412 1522"> <ul style="list-style-type: none"> • YTD paystub or written VOE documenting at least 30 days of income; and • 10-day PCV </td> </tr> <tr> <td data-bbox="527 1522 779 1942"> Income while on temporary leave from current employment </td> <td data-bbox="779 1522 1412 1942"> The underwriter may use the borrower's gross monthly income amount that was received prior to the temporary leave provided that the following documentation is obtained: <ul style="list-style-type: none"> • A paystub or a written VOE documenting pre-leave income; and • A written statement signed by the borrower confirming the borrower's intent to return to the current employer The underwriter must receive no evidence of information from the borrower's employer indicating that the borrower does not have the right to return to work after the leave period. </td> </tr> </tbody> </table>	Income Sources	Minimum documentation requirements	Employment income (primary or secondary) Bonus Overtime Tip income Automobile allowance	<ul style="list-style-type: none"> • Year-to-date (YTD) paystub, or written verification of employment (VOE) documenting at least 30 days of income; and • 10-day pre-closing verification (10-day PCV) 	Commission Income	<ul style="list-style-type: none"> • YTD paystub or written VOE documenting at least 30 days of income; or • Complete individual federal tax returns covering the most recent one-year period; <p>AND</p> <ul style="list-style-type: none"> • 10-day PCV 	Mortgage differential	Provide a copy of the agreement from the employer stating the amount of the payments	Military base income Military entitlements income Military reserve and National Guard income	<ul style="list-style-type: none"> • YTD Leave and Earnings Statement (LES) or written VOE documenting at least 30 days of income and • a 10-day PCV 	Seasonal Employment	<ul style="list-style-type: none"> • YTD paystub or written VOE documenting at least 30 days of income; and • 10-day PCV 	Income while on temporary leave from current employment	The underwriter may use the borrower's gross monthly income amount that was received prior to the temporary leave provided that the following documentation is obtained: <ul style="list-style-type: none"> • A paystub or a written VOE documenting pre-leave income; and • A written statement signed by the borrower confirming the borrower's intent to return to the current employer The underwriter must receive no evidence of information from the borrower's employer indicating that the borrower does not have the right to return to work after the leave period.
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INCOME DOCUMENTATION CONTINUED	Self-employed (all types: primary and secondary)	<ul style="list-style-type: none"> Complete signed individual federal tax return for the most recent year; and Verification of existence of the business through a third-party source obtained no more than 120 calendar days prior to note date
	Note Receivable	Copy of the note and most recent one-month bank statement or other equivalent documentation evidencing receipt of the income
	Dividend and interest Capital Gains Royalty payments	Copy of complete individual federal income tax returns for the most recent one-year period; evidence of sufficient assets to support the qualifying income for dividend/interest income and capital gains.
	Trust Income	Copy of the trust agreement
	Retirement income Retirement account distributions as income Survivor and dependent benefit income Long-term disability income Social Security Supplemental Security Income Homeownership Voucher Program Public assistance income (including unemployment compensation) Foster care income	<ul style="list-style-type: none"> A copy of the award letter, 1099 or other third-party documentation showing income type, source amount; or Most recent one-month bank statement of other equivalent documentation evidencing receipt of the income.
	Alimony Separate maintenance Child Support	Copy of the signed court order, legally binding separation agreement and/or final divorce decree and evidence of receipt of the total court ordered amount for the most recent one month
	Housing or parsonage allowance	<ul style="list-style-type: none"> A written VOE, a letter from the employer or paystubs reflecting the amount of the housing or parsonage allowance and the terms under which it is paid; or Evidence of one month receipt of the housing allowance
	Tax Exempt income	<ul style="list-style-type: none"> The most recent complete individual federal tax returns or other documentation evidencing that the income, or a portion of the income, is nontaxable Only the nontaxable portion of income may be grossed up
	Rental Income	An executed lease agreement or the most recent complete individual federal tax returns
	Mortgage Credit Certificate (MCC)	A copy of the MCC
	<p>When Assets are used as a basis for repayment of obligations, and when restricted stock and/or restricted stock units are used to qualify, the Underwriter must follow the applicable documentation requirements in Topic 5300.</p>	

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INCOME DOCUMENTATION CONTINUED	<p>Tax Transcripts (4506-T)</p> <ul style="list-style-type: none"> All borrowers, whose income is used to qualify, must sign Internal Revenue Service (IRS) Form 4506-T (or an alternate form acceptable to the IRS that authorizes the release of comparable tax information) on the application date and again on the Note Date, except that if the Form 4506-T obtained on the application date is submitted to the IRS and transcripts are received back from the IRS, PBM is not required to obtain an additional Borrower signed 4506-T. If submitting the Form 4506-T to the IRS, PBM must ensure that the IRS receives the form prior to the form's expiration date. The underwriter must retain the tax documentation received back from the IRS in the Mortgage file. Income tax information obtained by PBM directly from the IRS is acceptable in lieu of tax returns, provided that the underwriter obtains and maintains in the Mortgage file all of the information that would be included on the tax returns.
RENTAL INCOME	<ul style="list-style-type: none"> If the borrower owned a rental property during the previous tax year, the borrower's federal individual income tax returns must be obtained to determine the net rental income or loss for qualifying Rental income from the subject 1-unit Primary Residence – rental income generated from a borrower's 1-unit primary residence may be used to qualify a borrower with a disability if the rental income is from a live-in aide. Typically, a live-in aide will receive room and board payments through Medicaid waiver funds from which rental payments are made to the borrower. This income source may be considered stable monthly income if: <ul style="list-style-type: none"> The borrower has received rental payments from a live-in aide for the past 12 months on a regular basis, and The live-in aide plans to continue to reside with the borrower for the foreseeable future. The rental income may be considered in an amount up to 30% of the total gross income that is used to qualify the borrower for the mortgage Rental income generated from the borrower's second home or 1-unit primary residence other than as provided for above is not considered stable monthly income and may not be used to qualify the borrower. Rental income from the subject 2- to 4-unit Primary Residence – Rental income from unit(s) in the borrower's 2- to 4-unit primary residence that are not occupied by the borrower may be used to qualify the borrower. If rental income from the subject 2- to 4-unit primary residence is being used to qualify the borrower, the following requirements apply: <ul style="list-style-type: none"> The underwriter must obtain and use Form 998 unless the subject property has been owned for at least one year and is reported on Schedule E of the borrower's prior year federal individual income tax return. If income from the subject property is reported on the borrower's federal individual income tax returns the underwriter must use Schedule E to determine the net rental income. If Form 998 is used to determine rental income, it must be completed up to the Monthly Operating Income (MOI) reconciliation. The underwriter must substantiate the rental income using the income approach on the appraisal and copies of the present lease(s), if applicable, must support the rental income used to qualify the borrower. The Form 998 is not required if rental income from the subject property is not considered in qualifying the borrower. Regardless of whether rental income is used in qualifying the borrower, the ULDD Data Point <i>Property Dwelling Unit Eligible Rent Amount</i> for each non-owner occupied unit in a 2- to 4-unit primary residence must be delivered. MOI from the Form 998 or net rental income from Schedule E is entered under "Gross Monthly Income" in Section V of the Form 65, Uniform Residential Loan Application, and may be considered as stable monthly income in qualifying the borrower, provided the borrower meets the reserve requirement If MOI or net rental income from Schedule E is a negative number, it must be included as a liability for qualification purposes.

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**RENTAL INCOME,
CONTINUED**

- **Rental income from the subject 1- to 4-unit Investment Property** – If the borrower qualifies with the full monthly payment amount plus operating expenses for the subject investment property included in the borrower’s monthly debt payment-to-income ratio, no further evaluation or calculation of rental income from the subject property is required and Form 998 is not required.
 - The underwriter must deliver the ULDD Data Point *Property Dwelling Unit Eligible Rent Amount* for each 1- unit investment property and each unit in a 2- to 4-unit investment property regardless of whether rental income from the subject investment property is being used to qualify the borrower.
 - If rental income from the subject investment property is to be considered in qualifying the borrower, the following requirements apply:
 - The underwriter must obtain and use Form 998 unless the subject property has been owned for at least one year and is reported on the Schedule E of the borrower’s prior year federal individual income tax return. If income from the subject property is reported on the borrower’s federal individual income tax returns, the underwriter must use Schedule E to determine the net rental income. If Form 998 is used, it must be completed up to the MOI reconciliation.
 - The income approach on the appraisal and copies of the present leases, if applicable, must support the rental income used to qualify the borrower.
 - If the net cash flow shown on the Form 998 or net rental income from Schedule E of the Borrower’s tax returns is a positive number, that figure may be entered as rental income in the “Gross Monthly Income” section of Form 65 and may be considered stable monthly income.
 - If the net cash flow shown on the Form 998 or net rental income from Schedule E of the borrower’s tax returns is a negative number, it must be included as a liability for qualification purposes.
 - **Rental income from investment property owned by the Borrower other than the subject property** – Rental income from investment properties that are owned by the borrower, other than the subject property, must be shown in the “Schedule of Real Estate Owned” in Section VI of Form 65.
 - When rental income from other investment properties owned by the borrower in the previous tax year is reported on the borrower’s federal individual income tax returns, the underwriter must use Schedule E of the borrower’s tax returns to determine the net rental income. Signed leases may be used to determine the net rental income for an investment property not owned during the previous tax year.
 - Additionally, signed leases may be used to substantiate gross rents that are higher than the rental income documented on the tax returns; however no more than 75% of the gross rental income from the signed leases may be used, unless the prior two years’ federal individual income tax returns clearly support the use of a higher percentage
 - The aggregate net rental income may be counted as stable monthly income, provided the reliability of receipt is clearly supported by the documentation in the file.
- Regardless of whether rental income from the subject Investment Property is being used to qualify the Borrower:**
- Must provide an estimated rental income; **OR**
 - Provide an estimate of monthly rental income with a verification from “Rentometer”, Zillow, etc., and documentation must be retained in the loan file, **AND**
 - Underwriter **MUST** document the estimated monthly rents in the Comments section of the 1008.
- Accessory Units**
When determining stable monthly income, rental income generated from an accessory unit may be considered for:
- Subject 1-unit investment property
 - Non-subject investment property
- Second Homes**
- Rental income from the Borrower’s second home is not eligible

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RENTAL INCOME, CONTINUED	<p>Required reserves:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">Subject property</th> <th>Required reserves</th> </tr> </thead> <tbody> <tr> <td>Primary Residence – 1-Unit</td> <td>None</td> </tr> <tr> <td>Primary Residence – 2-to 4-unit</td> <td>Six months for the subject property</td> </tr> <tr> <td>Second home</td> <td>Two months for the subject property</td> </tr> <tr> <td>Investment Property</td> <td>Six months for the subject property</td> </tr> </tbody> </table> <p>Additional Required reserves Second Home and Investment Property mortgages require reserves in addition to the required reserves in the table above:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">Subject Property</th> <th>Additional required reserves</th> </tr> </thead> <tbody> <tr> <td>Second home or Investment Property</td> <td> Two months for each additional second home and/or 1- to 4-unit Investment Property: <ul style="list-style-type: none"> In which the borrower has an ownership interest or on which the borrower is obligated, and That is financed </td> </tr> </tbody> </table>	Subject property	Required reserves	Primary Residence – 1-Unit	None	Primary Residence – 2-to 4-unit	Six months for the subject property	Second home	Two months for the subject property	Investment Property	Six months for the subject property	Subject Property	Additional required reserves	Second home or Investment Property	Two months for each additional second home and/or 1- to 4-unit Investment Property: <ul style="list-style-type: none"> In which the borrower has an ownership interest or on which the borrower is obligated, and That is financed
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ASSET DOCUMENTATION	<ul style="list-style-type: none"> When verifying funds in the borrower’s depository accounts, securities or retirement accounts, the underwriter must obtain and maintain in the mortgage file the most recent monthly or quarterly account statement. The underwriter does not need to meet the documentation requirements of Section 5501.3(b) and (c) or investigate large deposits or increases in balances All other asset types (other than depository accounts, securities and retirement accounts) must meet the Streamlined Accept documentation requirements in Section 5501.3(b) and (c). 														
LIVING TRUSTS	<ul style="list-style-type: none"> A living trust may be made irrevocable by a settlor’s death. To be an eligible borrower at the time of the refinance transaction, the borrower must continue to be a living trust that meets Freddie Mac’s revocability and, as applicable, other eligibility requirements. 														
MORTGAGE PROCEEDS	<p>The Proceeds of the Relief Refinance Mortgage – Open Access must be used only to:</p> <ul style="list-style-type: none"> Pay off the first Mortgage (amount including only the unpaid principal balance and interest accrued through the date the Mortgage being refinanced is paid off) Pay related Closing costs not to exceed \$5,000 Disburse cash to the Borrower not to exceed \$250 <p>For Relief Refinance Mortgages - Open Access, in the event there are remaining proceeds from the Mortgage after the proceeds are applied as described above:</p> <ul style="list-style-type: none"> The Mortgage amount must be reduced, or The excess amount must be applied as a principal curtailment to the Relief Refinance Mortgage-Open Access at closing and must be clearly reflected on the Settlement/Closing Disclosure Statement. Under no circumstances may cash disbursed to the Borrower (or any other payee) exceed \$250. The proceeds may not be used to pay off or pay down any junior liens. Quick Look Manual= <ul style="list-style-type: none"> o Policy Procedures= <ul style="list-style-type: none"> ▪ Forms= <ul style="list-style-type: none"> ❖ <u>Open Access Loan Calculator MUST Be provided on all Open Access Loans=No Exceptions</u> 														
PROPERTY VALUATION REQUIREMENTS OPTION ONE: HVE	<p>With respect to the determination of property value for a Relief Refinance Mortgage – Open Access, the underwriter has the two options identified below.</p> <p>Home Value Explorer</p> <ul style="list-style-type: none"> Home Value Explorer (HVE®) is a Freddie Mac Automated Valuation Model (AVM) tool that generates an estimate of property value in seconds. In addition to the estimated value of a property, HVE reports provide a Confidence Level and a Forecast Standard Deviation, which indicate the accuracy of the estimated value. 														

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<p>PROPERTY VALUATION REQUIREMENTS OPTION ONE: HVE</p>	<ul style="list-style-type: none"> • The underwriter may determine the value of the mortgaged premises using a point value estimate from HVE. For detailed information on HVE, visit http://www.freddiemac.com/hve/hve.html • The following requirements must be met for PBM to use an HVE point value estimate to determine property value for the Relief Refinance Mortgage – Open Access: <ul style="list-style-type: none"> ○ The property must be a 1- or 2-unit dwelling ○ The property must be an attached or detached dwelling, or a unit in a condominium project or planned unit development (PUD) ○ The property must not be a manufactured home, dwelling on a leasehold estate or Cooperative Unit (co-op) ○ The HVE point value estimate must have a Forecast Standard Deviation that is no greater than 0.20 (corresponding to a Confidence Score of “H” (high) or “M” (medium)) ○ Provident Bank Mortgage must maintain the HVE point value estimate for the Relief Refinance Mortgage – Open Access and any information necessary to evidence compliance with the HVE requirements. Upon Freddie Mac’s request, PBM must provide Freddie Mac with a copy of this HVE documentation ○ As of the note date of the Relief Refinance Mortgage – Open Access the HVE point value estimate may not be more than 120 days old • If the above requirements are met and the underwriter uses the HVE point value estimate to determine value: <ul style="list-style-type: none"> ○ PBM is relieved of representations and warranties regarding the value, internal and external condition and marketability of the mortgaged premises for the Relief Refinance Mortgage – Open Access, provided that if the underwriter, as of the Settlement Date, is aware of any circumstances or conditions that would adversely affect the value, condition or marketability of the mortgaged premises, the refinance mortgage is not eligible for sale to Freddie Mac under the HVE option and the underwriter must determine the value of the mortgaged premises in accordance with Option Two described below. ○ The underwriter represents and warrants that all information provided by PBM for the purpose of obtaining the HVE point value estimate, including the address of the mortgage premises, is true, complete and accurate. • If the above requirements for use of the HVE point value estimate are not met, the underwriter must determine the value of the mortgaged premises in accordance with Option Two described below. <p>THERE IS NO APPRAISAL WAIVER FEE ON OPEN ACCESS TO USE THE HVE AMOUNT</p>
<p>PROPERTY VALUATION REQUIREMENTS OPTION TWO: NEW APPRAISAL</p>	<ul style="list-style-type: none"> • PBM must obtain an appraisal with an interior and exterior inspection that meets Freddie Mac requirements • PBM is not responsible for the representations and warranties regarding the value, condition and marketability of the mortgaged premises • Notwithstanding the requirements of Section 5601.12(e), Freddie Mac will accept appraisal reports with Uniform Appraisal Dataset (UAD) condition rating of C5 or C6 and/or a UAD quality rating of Q6 completed on an “as-is” basis; the appraisal does not have to be completed “subject to” needed repairs being completed. • The underwriter is not responsible for the completeness and accuracy of the appraiser’s description of the mortgaged premise, and the accuracy of and support for, the appraiser’s option of the market value of the mortgaged premise • Notwithstanding the provisions of Sections 4201.5 and 5601.8(b), the underwriter is not required to obtain a new appraisal if the settlement date is more than 120 days after the note date • This does not apply for super conforming Relief Refinance Mortgages- Open Access

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PROPERTIES AFFECTED BY DISASTERS	<ul style="list-style-type: none"> • Notwithstanding the provisions of Section 5601.2(c), for Relief Refinance Mortgages secured by properties in areas affected by disasters: <ul style="list-style-type: none"> ○ PBM is not required to obtain a property inspection or a new appraisal when a property valuation (either an HVE point value estimate or an appraisal) was relied on prior to a disaster, provided the mortgage meets the requirements of Chapter 8202; and ○ An underwriter can use an HVE point value estimate with a high or medium confidence score after a disaster without obtaining a property inspection or appraisal to determine property condition, provided that the mortgage meets the requirements of Chapter 8202. • This flexibility for Freddie Mac Relief Refinance Mortgages does not impact servicing requirements. PBM must ensure that the mortgaged premises are covered by insurance meeting the requirements in Chapter 8202, and in accordance with the terms of the security instrument and applicable law. See Section 5601.2(c) for additional information relating to property eligibility requirements for properties affected by disasters.
REMOVING A BORROWER	<p>At least one borrower on the Open Access transaction must be the same as on the existing loan being refinanced. Remaining borrower must show evidence of solely making payments for a minimum of 12 months, unless the removal of a borrower is due to death and then a death certificate is required.</p>
MISCELLANEOUS CRITERIA	<ul style="list-style-type: none"> ➤ Properties listed for sale within the past six months are eligible with documentation that that listing has been canceled. No seasoning required. ➤ Maximum number of financed properties <ul style="list-style-type: none"> ○ Owner Occupied = No limit ○ Second and Investment homes – For Mortgages secured by second homes and Investment Properties, the requirements related to the number of financed properties in Freddie Guide Sections, 4201.15(b)(2), 4201.16(a)(iv) and 4201.16(b)(ii), respectively, do not apply on the Open Access.